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WORKING PAPER

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WEEKLY INTELLIGENCE HIGHLIGHTS

NO. 77

DATE: 22 November 1949

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DOCUMENT NO. 1
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CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 11-75-78
AUTH: HR-702
DATE: 11-75-78 REVIEWER: 37244

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OFFICE OF REPORTS AND ESTIMATES, CIA
FAR EAST/PACIFIC DIVISION

INTELLIGENCE HIGHLIGHTS NO. 77
16 NOVEMBER to 22 NOVEMBER 1949

SECTION I. SUMMARY OF FAR EAST TRENDS AND DEVELOPMENTS

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The Chinese Communists' official statement of their claim to China's place in the UN may have been designed as a counter move to the Nationalists' charges against the USSR, now pending before the General Assembly (p. 3). In China, however, the Communists are finding it hard to sell Sino-Soviet "friendship" (p. 3).

Negotiations in Indochina for implementation of the 8 March Agreement appear to be progressing too slowly to be completed before 1 January 1950 when autonomy is scheduled to be transferred by France to Vietnam. Meanwhile, the Governor of South Vietnam (Cochinchina) has claimed that informal truce terms are being discussed with significant elements of the resistance forces in Cochinchina (p. 6).

The 19 November armed insurrection in the home province of defeated Philippine presidential candidate Laurel is not expected to lead to a general uprising. (p. 7).

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The marginal notations used in succeeding sections of this weekly ("A", "B", or "C") indicate the importance of the items in D/FE opinion with "A" representing the most important.

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CHINA

Communists claim place in UN--In messages addressed to the UN Secretary-General and the President of the General Assembly, the Chinese Communist "Foreign Minister" has voiced a formal "demand" for immediate unseating of the Nationalist delegation to the UN. This "demand" is being supported by a vigorous propaganda campaign on behalf of the Communists' claim to represent China's millions in the UN. The Communist regime may shortly announce a list of delegates, which may include some Chinese presently in the US. The Communists' official statement of their claim, at this time, may have been designed as a counter measure to the Nationalist charges against the USSR, now pending before the General Assembly. However, in the absence of recognition by the major non-Communist powers, the Chinese Communist regime will not displace the Nationalists in the UN before the end of 1949.

"B"

Sino-Soviet "friendship" hard to sell--Chinese Communist pronouncements on October Revolution Day - fervent gratitude for Soviet inspiration and aid, professions of fidelity to Leninist-Stalinist Bolshevism and Soviet leadership - made an impressive demonstration of Sino-Soviet solidarity at the official level. There is no doubt that the Chinese Communist Party (CCP) intends to force the Chinese populace down the path of Sino-Soviet "friendship."

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However, in China's major cities, where that "friendship" has been most assiduously publicized, the response has been largely apathetic and occasionally hostile. Chinese circles have criticized the Soviet 'cultural' delegation, the prodigal display of Lenin-Stalin portraits, the coercion employed by Friendship Associations, reported Soviet activity in Manchuria, and the influx of Soviet advisors and technicians into China Proper. In addition, the Communist-indoctrinated peasantry may be coming to understand, to resent, and to associate with Soviet influence, its subordination to urban labor and its exploitation for industry.

The CCP rationalizes Soviet encroachment in Manchuria and the Soviet effort to promote the special interests of a Soviet-oriented Chinese laboring class, in terms of an alleged necessity for China to adhere to the tenets of "proletarian internationalism." Together with this, CCP spokesmen, minimizing the contributions of the peasantry, attribute Chinese Communist successes to the leadership of the proletariat, led in turn by the CCP, led in turn by the USSR. However, all elements of Chinese society, especially the Communist armies themselves, are well aware that peasant soldiers, not urban labor or

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Party theoreticians or the USSR, have won the war. Neither can the CCP forever conceal the fact that "proletarian internationalism" in practice means subservience to foreigners and the systematic enslavement of the Chinese people. Thus, while popular dissatisfaction will probably not seriously impede the consolidation of Communist control, it is fair to assume that enthusiasm for Sino-Soviet "friendship" will be confined to the narrow segment of Chinese society which has prospects of profiting from it.

Curtailment of the textile industry in China--The present outlook for China's textile industry is that it will not have enough raw cotton to operate at more than about 35-40 percent of capacity in 1950. China's 1949 cotton crop amounts to about 1.7 million bales, or half the average harvest during the years 1931-1937. The 1950 deficit, 2-2½ million bales, will be the largest experienced in decades. Imports will be low in 1950 because it is doubtful that the Communists will be willing or able to allocate much over US \$50 million for raw cotton imports. At present prices that sum would buy 300,000 bales. The US is at present the only available source of cotton in quantity. One way for the Communists to acquire raw cotton would be to exchange cotton goods in foreign markets for raw cotton, but it appears that the high costs of labor and raw cotton in China may make it difficult to compete with the cheaper Japanese product.

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The textile mills in Shanghai, where nearly half the country's spindles are located, face a particularly bleak prospect for two reasons: the interior mills will probably get a disproportionately large share of the domestic cotton supply, and the important cotton producing areas around Shanghai have suffered heavily from summer and fall floods. As the shortage of cotton becomes worse there will be greater pressure on the coastal mills to move to producing areas, although the difficulties and equipment deterioration involved in moving, as well as the lack of electric power in the interior, make much more decentralization impractical.

Since the textile industry is China's largest, employing more than half the factory labor force in China, curtailment of textile operations will weaken the Communist economy. The Communists will probably be confronted with unemployment of workers not only in the mills but also in the service industries indirectly dependent on the textile industry. If the Communists fail to provide employment opportunities, there will undoubtedly be considerable discontent among the workers, the group which the Communists are most assiduously cultivating as "leaders" of the revolution.

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NEWS NOTES

Travelers from Kalgan, which was recently isolated by Communist order as a "plague ridden" area, state that there has been no plague in that city, but add that the local populace was warned that a plague was "rampant" in Peiping. US Consul-General Clubb speculates that Chinese Communist authorities apparently exaggerated the threat in order to reap good will for themselves and for their Soviet advisors and technicians, whose efforts in combatting the plague have been publicized by the Chinese Communists.

Thirty-five members of the National Resources Commission in Hong Kong have defected to the Communists. WONG Wen-hao, one-time chairman of the organization and later premier of Nationalist China, is rumored to be considering a similar step.

With the fall of Chungking, on which city the Communist forces are closing in from both east and south, Generalissimo's regime on Taiwan will be the only Nationalist group with any claim to being the National Government of China. LI, if he returns from Hong Kong to the mainland, will be the leader of a purely local organization.

Shanghai's prices have climbed sharply during November. The price of rice on 17 November was nearly $2\frac{1}{2}$ times the 1 November quotation.

BURMA

NEWS NOTE

The Commonwealth Ambassadors in Tangoon, who for several months have been studying the feasibility of extending financial assistance to Burma, have finally submitted recommendations to their respective governments. A loan of between 9 and 10 million pounds on the shortest practical terms is believed to have been suggested by them to cover Burma's budgetary deficit, its contribution to the International Monetary Fund and to finance the current rice crop. Although such a loan would undoubtedly raise the morale of the Burmese Government and ease its most pressing financial problems, under existing conditions it would constitute only a temporary palliative and may set a precedent for annual Commonwealth subsidies.

INDOCHINA.

Transfer of administration to Vietnam progressing slowly--The first concrete step taken to implement the 8 March Franco-Vietnamese accords was the establishment in August of the Commission for the Application

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of the 8 March Agreements (CAMA). The Vietnamese delegation is officially composed of Bao Dai's cabinet members, headed by his Foreign Minister Nguyen-phan-Long, but they participate only in sessions concerning their particular ministries. The French delegation includes certain of the High Commissioner's advisors. The Commission was assigned the task of preparing "particular or temporary conventions which will govern the relations between the French Union and Vietnam pending the re-establishment of peace and order." Ten sub-committees were appointed to draft plans for eventual submission to a plenary session of the Commission. Although the first meeting was held on 31 August in Saigon, actual work was not begun until 19 September.

Priority in the negotiations was assigned to justice and security questions but a serious impasse was reached over the transfer of the Surete, which the Vietnamese insisted was an integral and essential element of the administration of justice. On the other hand, the French insisted that any transfer must be very gradual in view of the insecurity resulting from the continuing war with the Ho Chi Minh resistance forces. The deadlock over justice controls derived from French demands that mixed courts for cases involving French and other foreign nationals in Vietnam be administered by the Ministry of Justice in Paris, a plan which would be completely incompatible with Vietnamese sovereignty.

Economic agreements have been delayed because of the necessity for convening an interstate (Vietnam, Cambodia and Laos) conference to consider communications, immigration, trade, customs, and all financial questions. Agreements on minor aspects of administration have been reached periodically since late September, but these concern only Vietnamese representation to the French Union, distribution of industrial products, stamp taxes, interior navigation and irrigation services, public health agencies. Other agreements "in principle" on methods of transferral of the various services have been achieved but actually they add up to insignificant accomplishments. A recent plenary session of the CAMA was scheduled for 18 November, at which time agreements reached to date would be approved and points at issue examined.

High Commissioner Pignon recently expressed confidence that the Commission would complete its work in time to transfer administration to Vietnam by 31 December 1949, the original target date specified in the 8 March accords. However, he excepted economic agreements, since the interstate conference has again been postponed until January. Vietnamese chairman Long was less optimistic, questioning

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Pignon's ability to enforce the cooperation of his subordinates at the working level. It would appear, therefore, that since complete administrative transfer cannot be expected by the end of 1949, the growing dissatisfaction over the lack of concrete results will be further exploited by both French and Vietnamese opponents of the Bao Dai experiment.

Resistance forces negotiating with Bao Dai?—Tran Van Huu, Governor of South Vietnam (Cochinchina) for the Bao Dai Government, has recently claimed that negotiations are underway with resistance forces in South Vietnam, who have indicated a willingness on the part of some one-third of the total resistance forces to renounce their "loyalty" to Ho Chi Minh. He has indicated that informal truce terms are being discussed. Huu admitted, however, that these forces are awaiting implementation of the 8 March Agreements before committing themselves further for fear of arrests by the French Surete.

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General Delatour, French Commissioner for South Vietnam, told the US Consul-General that he considered Huu over-optimistic, pointing out that the mere mention of a truce and subsequent publicity regarding mediation have caused resistance elements with whom he and Huu have been negotiating to become more cautious. Moreover, Delatour expressed skepticism as to the reliability of "newly rallied and untested groups." Assertions made some weeks ago by Bao Dai's Foreign Minister that he had been approached by representatives of the resistance have been flatly denied by the resistance radio. Reliability of reports of an imminent mass rallying to Bao Dai on the part of resistance forces must be judged in the light of the fact that the Bao Dai Government has not satisfied, even in the present paper stage, the minimum aspirations of the resistance as announced by its radio. On the other hand, signs and portents not yet confirmed, of a rapprochement between Ho and Mao may be causing uneasiness among the "pure" nationalists to whom Bao Dai has been appealing.

PHILIPPINES

Revolt in Batangas--An armed insurrection broke out on 19 November in the capital of Batangas, approximately 60 miles south of Manila and the home of defeated presidential aspirant Laurel. About 100 armed men attacked several government buildings including the local Constabulary headquarters. They seized all firearms from these buildings but were repulsed by Constabulary reinforcements which are now combing the surrounding four provinces. The Chief of Philippine Constabulary reports that the situation in Batangas is now under control and that Constabulary reinforcements are sufficient to cope with any eventuality.

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Fourteen local policemen and three Constabulary men have been reported missing; one dissident was killed and five were taken prisoner.

Particular significance has been attached to the incident in view of previous Nacionalista threats to rectify election irregularities by force if necessary. Both the Chief of Constabulary and the Secretary of Interior have identified the dissidents as Huks. The Constabulary Chief states that the incident was not "an organized political uprising." Nevertheless, the Armed Forces have been placed on an indefinite alert status and added security measures have been taken in Manila.

There is no indication that top Nacionalistas engineered the uprising. Disgruntled members of the minority party may participate in demonstrations before Quirino is sworn in and the new Congress convenes, but a large-scale uprising is considered unlikely. The Batangas episode may have been an attempt by Huks in league with thwarted Nacionalistas to gain lower echelon support from the Constabulary, said to be heavily in favor of the Nacionalistas, and marshal enough additional support in Laurel's home province to stage a local coup. So far there has been no indication that such a bold maneuver would meet with any popular support.

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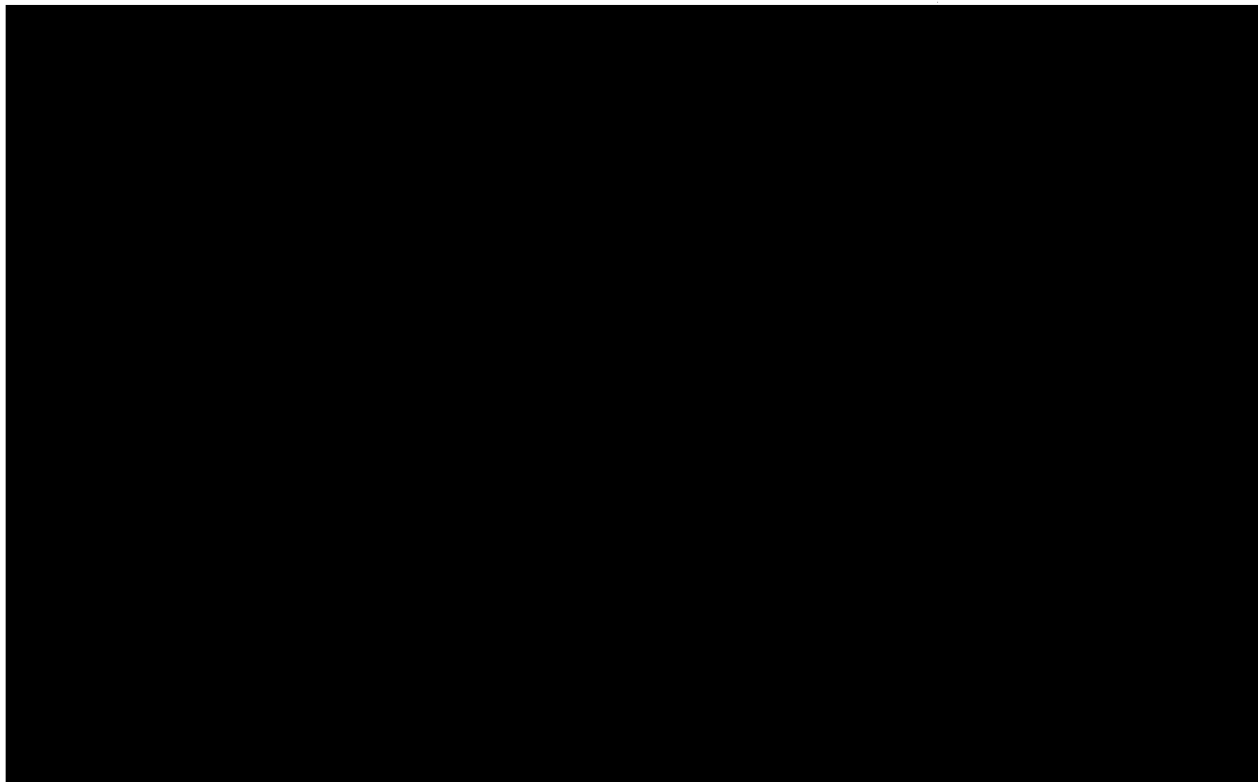
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NEWS NOTE

The Singapore headquarters of the British Far Eastern Fleet has announced that the Fleet now comprises 3 cruisers, 2 aircraft carriers, 7 destroyers, and 9 frigates. In addition there is a hospital ship and a number of other auxiliary vessels. The Fleet is not yet at full strength, but all ships are scheduled to be at their stations by January of next year.

A further authoritative news report states that 6 warships will move to Hong Kong within the next 3 weeks. This reinforcement will make British naval strength in the Colony greater than at any time since the end of the war.

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